

No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*
R.S.C. 1985, c. C-44, AS AMENDED**

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*
S.B.C., 2002, CHAPTER 57**

AND

**IN THE MATTER OF CATALYST PAPER CORPORATION AND THE
PETITIONERS INCLUDED IN APPENDIX "A"**

MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012



**CATALYST PAPER CORPORATION, ET AL
MONITOR’S TWENTY-FIRST REPORT TO COURT**

September 25, 2012

TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	BACKGROUND.....	2
3.	ACTIVITIES OF THE COMPANY	2
4.	CSEP APPLICATION FOR PAYMENT OF COSTS	4
5.	CONCLUSION	12

APPENDICES

- A. Petitioner Parties Organization Chart**
- B. Monitor’s Certificate confirming Plan Implementation**
- C. Summary of billing information per Hatnay Affidavit**

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

1. INTRODUCTION

- 1.1 On January 31, 2012, on the application of Catalyst Paper Corporation and the entities included in **Appendix "A"** (collectively referred to as "**Catalyst**" or the "**Company**"), the Supreme Court of British Columbia (the "**Court**") made an order (the "**Initial Order**") granting Catalyst protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Under the Initial Order, PricewaterhouseCoopers Inc. was appointed Monitor of the Company (the "**Monitor**").
- 1.2 On June 25, 2012, the Company's second amended plan of compromise and arrangement (the "**Second Amended Plan**") was approved by the Affected Creditors (as defined in the Second Amended Plan). On June 28, 2012, the Court made an order (the "**Sanction Order**") sanctioning and directing the Company to implement the Second Amended Plan.
- 1.3 The Second Amended Plan has now been implemented with an Effective Date (as defined therein) of September 12, 2012.
- 1.4 This is the Monitor's 21st Report to Court. The purpose of this report is to advise the Court of, and, as applicable, provide the Monitor's comments on, the following matters:
 - 1.4.1 The activities of the Company since the date of the 20th Report; and
 - 1.4.2 The application of certain former employees of the Company on behalf of the Catalyst Salaried Employees & Pensioners Group ("**CSEP**") to direct the Company to pay additional legal costs and disbursements of CSEP's legal counsel.
- 1.5 Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.
- 1.6 All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the McCaig Affidavit and the Hatnay Affidavit (both as defined below) and the Second Amended Plan.

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

2. BACKGROUND

- 2.1 The facts surrounding the Company's application for the Initial Order were set out in the Petition filed by Catalyst in the CCAA proceedings on January 31, 2012, a copy of which can be found on the Monitor's website at:

www.pwc.com/car-catalystpaper

- 2.2 All prescribed materials filed by Catalyst and the Monitor relating to this CCAA proceeding are available to creditors and other interested parties in electronic format on the Monitor's website. The Monitor will continue to post regular updates to the website and will add prescribed and other materials as required.
- 2.3 The United States Bankruptcy Court for the District of Delaware (the "**US Court**") has recognized these proceedings as a foreign main proceeding pursuant to Chapter 15 of the US Bankruptcy Code. The Monitor's website also contains materials relating to the Chapter 15 proceedings in the US Court.

3. ACTIVITIES OF THE COMPANY

Implementation of the Second Amended Plan

- 3.1 The Second Amended Plan was implemented with an Effective Date (as defined in the Second Amended Plan) of September 12, 2012. A copy of the Monitor's certificate filed with this Court on September 13, 2012 confirming the Effective Date is attached hereto as **Appendix "B"**.
- 3.2 As part of the implementation of the Second Amended Plan, the Company revised its articles of incorporation, installed a new board of directors, cancelled the 2016 Notes and the 2014 Notes, issued the New First Lien Notes and associated security, and created new security for the ABL and exit financing facilities. The Company also cancelled its former common shares and issued new common shares to the 2016 Noteholders (as well as establishing a reserve for the Equity Election Creditors) in accordance with the Second Amended Plan. The Court ordered charges were satisfied to correspond with their release on the Effective Date.

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

- 3.3 Several actions remain to be completed in relation to the implementation of the Second Amended Plan. These include:
- 3.3.1 The resolution of disputed claims, which is anticipated to be completed in October;
 - 3.3.2 The distribution of the Convenience Cash Amounts to General Unsecured Cash Creditors, and of New Common Shares to Equity Election Creditors, which will occur shortly after the disputed claims are resolved; and
 - 3.3.3 The sale of the Company's interest in PREI, which continues to be pursued, and the subsequent distribution of the PREI Proceeds Pool to General Unsecured Creditors.

Closure of Snowflake mill and related Restructuring Claims

- 3.4 On July 30, 2012, the Company announced its intention to permanently close its recycled paper mill in Snowflake, Arizona, as well as the Apache Railway Company which serviced the Snowflake mill. The closure is effective September 30, 2012. This was discussed in greater detail in the Monitor's 20th Report.
- 3.5 With the approval of the US Court and this Court, the Company has disclaimed certain contracts associated with the Snowflake mill. On August 28, 2012, this Court made an order (the "**Snowflake Claims Process Order**") establishing a process for the counterparties to those contracts to file claims arising from their rejection (collectively, the "**Snowflake Claims**"). Pursuant to the Snowflake Claims Process Order, claimants had until September 13, 2012 (the "**Snowflake Claims Bar Date**") to file proofs of claim in respect of any damages arising from the rejection of their contracts. In accordance with the Snowflake Claims Process Order, proven and admitted Snowflake Claims are deemed to be Restructuring Claims as defined in the Second Amended Plan.
- 3.6 By the Snowflake Claims Bar Date, nine (9) parties having potential Snowflake Claims had filed proofs of claim totaling approximately \$124 million. The single largest of these claims, for approximately \$117 million, was filed by Snowflake Power, LLC ("**Snowflake Power**"). This claim is expected to be withdrawn on or about September 30, 2012, once the Power Agreement (as that term is defined in the

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

Snowflake Claims Process Order) between the Company and Snowflake Power becomes effective.

- 3.7 Excluding the claim filed by Snowflake Power, the total amount of the claims filed is less than the amount anticipated in the Monitor's 20th Report. If all of these other claims were admitted as filed, they would not have a material impact on the anticipated distribution to creditors under the Second Amended Plan.
- 3.8 The Company and the Monitor are continuing to review and resolve the Snowflake Claims filed. This is anticipated to be completed in October.

4. CSEP APPLICATION FOR PAYMENT OF COSTS

- 4.1 CSEP has circulated materials in support of an application for an order directing the Company to pay certain legal costs, taxes and disbursements incurred in these proceedings, as well as the costs incurred by CSEP (or its legal counsel, Koskie Minsky LLP ("KM"), on behalf of CSEP) in retaining Ernst & Young Inc. ("E&Y") as the financial advisor to CSEP. The bases for CSEP's application are set out in the affidavits of Ronald Gary McCaig (the "**McCaig Affidavit**") and Andrew J. Hatnay (the "**Hatnay Affidavit**"), both sworn September 20, 2012 and filed in these proceedings.
- 4.2 The Monitor has several concerns with CSEP's application. For the reasons provided below, the Monitor does not think it is appropriate to grant the relief sought by CSEP.
- 4.3 At the outset, CSEP's materials, including its Notice of Application, the McCaig Affidavit and the Hatnay Affidavit, include several facts that the Monitor believes are incorrect or require clarification:
 - 4.3.1 At paragraph 12 of CSEP's Notice of Application, CSEP states that it "was the only pensioner representative group who had perfected a claim on behalf of the pension fund in relation to the First Amended Plan." This was not the case. CSEP had filed a claim in respect of the deficit in the salaried pension plan which was disallowed by the Company and the Monitor on the basis that this was not a claim subject to compromise. CSEP filed a notice of dispute in response to the disallowance, which dispute was not resolved before the vote

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

on the First Amended Plan. Accordingly, CSEP's claim was not perfected at the time of the vote, but was instead a disputed claim.

- 4.3.2 It should also be noted that the Catalyst Timberwest Retired Salaried Employees Association ("**RSEA**") had also submitted a proof of claim in respect of the deficit on the salaried pension plan. The Monitor met with both RSEA and CSEP to discuss the withdrawal of their claims because under the terms of the First Amended Plan, former and current employees did not have any claims subject to compromise. RSEA withdrew their claim following this discussion with the Monitor. CSEP refused to withdraw its claim.
- 4.3.3 At paragraph 13 of CSEP's Notice of Application, CSEP states that "(h)ad the CSEP's disputed claim been allowed, the results would have been 95% of the unsecured creditors, holding 64% of the unsecured claims, voting in favour of the First Amended Plan." The Monitor notes that CSEP did not cast a vote on the Plan, despite the fact that, as a holder of a disputed claim, they had the right and opportunity to do so. The original vote results to which CSEP refers are those reported in the Monitor's 16th Report, which include votes by holders of other disputed claims (though not of CSEP as they did not vote).
- 4.3.4 At sub-paragraph 8(d) of the McCaig Affidavit, Mr. McCaig deposes that "CSEP was the only pensioner representative to file a claim to vote in support of the first Plan of Compromise." As noted above, RSEA had filed a proof of claim as well but withdrew it following discussion with the Monitor as noted above.
- 4.3.5 At paragraph 19 of the Hatnay Affidavit, Mr. Hatnay deposes that CSEP's "claim was rejected by the Monitor and the company" and for that reason "CSEP was therefore denied the ability to vote on the Plan of Compromise." That is not correct. As noted above, CSEP, as the holder of a disputed claim, had the right and opportunity to vote that claim at the first meeting of creditors.
- 4.3.6 The actual professional costs incurred by CSEP (i.e. the fees and costs of both KM and E&Y) are set out at paragraph 40 of the Hatnay Affidavit. To assist the Court, the Monitor has prepared **Appendix "C"**, which summarizes the fees and costs of KM and E&Y separately. From this information we note the

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

following (unless otherwise stated, all amounts shown below are inclusive of HST):

- CSEP is seeking payment of the full amount of E&Y's fees and costs, which CSEP says total \$88,668.31. As at the date of this report, the Company has only received invoices for services rendered by E&Y up to June 30, 2012 totalling \$60,729.06, which is consistent with the detailed invoices underlying the figures at paragraph 40 of the Hatnay Affidavit. The difference of approximately \$28,000 relates to two additional invoices for the months of February and March 2012, which are included in exhibit K of the Hatnay Affidavit (though not in the cost summary at paragraph 40). Portions of this time precede the Settlement Agreement (as defined below).
- At the time the McCaig and Hatnay Affidavits were sworn, KM had one invoice outstanding for the month of August 2012 in the amount of \$39,723.73. This invoice was paid by the Company on September 24, 2012. Accordingly, KM has already received approximately \$40,000 of the \$155,000 sought by CSEP, leaving a balance claimed of approximately \$115,000.
- Actual legal costs incurred by KM for the period from March to August 2012 were approximately \$506,000. KM has billed the Company approximately \$254,500 for its costs and disbursements (excluding those of E&Y), which was in accordance with the Settlement Agreement (as defined below) and as authorized by the Court. The difference of approximately \$251,500 represents additional legal costs of KM above and beyond the invoices that have been rendered and paid by the Company, and which is in excess of what was authorized by the Court. The \$115,000 of additional compensation being sought represents approximately 46% of the total legal costs CSEP alleges to have incurred in the period from March to August 2012.

- 4.4 The Monitor is of the view that it is appropriate to consider certain of the events in the Company's CCAA proceedings which involved CSEP, but which were not fully articulated in either the McCaig Affidavit or the Hatnay Affidavit. The Monitor expresses no view on the appropriateness of the positions that CSEP took in the

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

course of the CCAA proceedings, but the effect of some of these positions and the impact they had may be relevant to this application.

Genesis and Effect of the Settlement Agreement

- 4.5 The Court dismissed the application by CSEP to replace the representatives of RSEA, who had previously been appointed by the Court to represent, among others, those retired salaried employees with pension rights. At the time, the Monitor considered RSEA and its legal counsel's appointment to have been appropriate given, among other things, RSEA's past involvement with the Company and the pension plan for salaried employees, as well as counsel's knowledge of and experience in similar matters. On CSEP's application to replace RSEA, the Monitor expressed its view to the Court that it saw no reason why CSEP or its counsel was more qualified or better able to represent former employees in respect of their pension claims. The Monitor still believes that to be the case.
- 4.6 CSEP proceeded to file a notice of application for leave to appeal certain orders in the CCAA proceedings (the "**Appeal**"), in which, among other things, they asserted a deemed trust for the amount of the wind-up deficiency owing under Catalyst's pension plan for salaried employees. The filing of the Appeal had significant negative implications for the Company at the time, including a destabilization of relations with its stakeholders. In particular, this application meant that further advances under the Company's DIP Facility would not be made pending the resolution of the Appeal process, which jeopardized not only the Company's day-to-day operations and negotiations with suppliers, but also the overall restructuring. The cost of the uncertainty that CSEP's actions created for the Company and its stakeholders at the time, including significant additional professional costs, is likely impossible to quantify, but the Monitor believes that they were considerable.
- 4.7 In the context of the very considerable risk to its operations and the restructuring, the Company reluctantly pursued and negotiated a Memorandum of Agreement (the "**Settlement Agreement**") with CSEP, a copy of which is attached as Exhibit A to the Hatnay Affidavit. The Settlement Agreement confirmed, among other things, that in the Appeal CSEP would not advance a claim for priority of the alleged deemed trust over the DIP Lenders' Charge or the Administration Charge, which alleviated the DIP Lender's concerns with the Appeal and enabled the Company to obtain further advances under the DIP Facility.

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

- 4.8 It was a further term of the Settlement Agreement that certain legal costs of CSEP would be paid, and that KM would be designated as an Assistant under the terms of the Initial Order. The Company and CSEP agreed to limits being placed on this compensation, which limits were accepted by KM on behalf of CSEP and confirmed by the Court in its March 8, 2012 order. At that time there was no suggestion that CSEP needed to retain a financial advisor as well, nor was there any discussion that they intended to do so.
- 4.9 Under the Settlement Agreement, legal costs were limited to \$30,000 (plus taxes and reasonable disbursements) per month, with the ability to carry over any unused portion to other months. This arrangement provided certainty to the Company as to the amount of additional professional costs it would incur, particularly in light of the inevitable duplication of efforts given that two parties were representing essentially the same group of stakeholders in these proceedings.

CSEP's Role in the Restructuring Process

- 4.10 In CSEP's materials, CSEP and its legal counsel suggest, in essence, that CSEP was the driving force behind the creation and presentation of the Second Amended Plan and the overall success of the Company's restructuring. At paragraph 11 of the McCaig Affidavit, Mr. McCaig deposes as follows:
- "11. Without CSEP's pending deemed trust application, coupled with the other strategic steps that CSEP undertook, including negotiations with the provincial government and other stakeholders, the Amended Plan of Compromise would never have come into existence, the company would have been sold, the Salaried Plan would have been wound up in deficit, and pension benefits would have been cut."
- 4.11 In the Monitor's respectful view, , CSEP and its legal counsel overstate the impact of their involvement. The Monitor was aware of KM's involvement in various discussions regarding the development of the Second Amended Plan. However, the Monitor also understands that CSEP was only one of a number of parties who played an active role in negotiating the Second Amended Plan, and, moreover, that RSEA and the Company, with the assistance of their legal counsel, were the parties that came up with the idea to compromise the pensioners' extended health and welfare claims, and were the parties principally responsible for the formation and presentation of the Second Amended Plan, as well as the negotiations with

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

stakeholders – particularly the 2014 Noteholders - to gain support for the Second Amended Plan. The Monitor is informed by the Company that RSEA, through its counsel, was involved with these discussions prior to KM's involvement and was actively pursuing these matters.

Engagement of E&Y

- 4.12 The Monitor was not consulted by CSEP or its legal counsel before they engaged E&Y as financial advisor. The Monitor only learned of E&Y's engagement after their retention, and further understands that E&Y's engagement and the associated costs were not discussed in advance with or approved by the Company.
- 4.13 The Monitor has reviewed the list of work performed by E&Y as set out at paragraph 48 of the Hatnay Affidavit. It appears that a significant portion of E&Y's work consisted of review of the Monitor's published reports, or analysis based on information previously prepared and circulated by the Company or the Monitor. The Monitor notes that, despite the Monitor's statutory role and in contrast to other parties in these restructuring proceedings, at no time did E&Y contact the Monitor to discuss the Monitor's reports or other financial information, or request additional information or analysis. To the extent that any of that public information was unclear or CSEP (or anyone else) believed additional analysis would have been of assistance, they could have contacted the Monitor to seek clarification or request additional information or analysis.

Precedent and Policy Concerns

- 4.14 The Hatnay Affidavit refers to the fees of CSEP in proportion to those of other parties in these proceedings. This highlights the considerable administrative costs incurred by the Company to date to complete this restructuring.
- 4.15 The Company agreed at the outset of these proceedings to pay the professional costs of certain stakeholders, as is common (and generally appropriate) in CCAA proceedings where the involvement and cooperation of those stakeholders is necessary. Those costs were anticipated as part of the overall cost of the Company's restructuring.

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

- 4.16 It was not, however, anticipated that the Company would pay any part of the professional costs of either the 2014 Noteholders represented by Bennett Jones LLP or CSEP. At separate times and for different reasons (with which the Monitor takes no issue), the Company agreed to pay a limited amount of those stakeholders' professional costs. Not only were those agreements premised on the consent of certain other stakeholders (notably the 2016 Noteholders), they also ensured the Company would still have sufficient liquidity to meet its other obligations and not trigger a default under the DIP Facility during the restructuring process.
- 4.17 It would, in the Monitor's view, be improper to allow CSEP – or any other stakeholder – to argue that it is entitled to the payment of more professional costs after entering into an agreement concerning that very issue, and after a restructuring proceeding is effectively concluded. Apart from the obvious prejudice to Catalyst in this case, the Court should be mindful that if such applications were successful, the ability of companies undergoing restructurings to recapitalize or obtain exit financing would be impaired. To permit parties to be granted additional compensation for costs as CSEP has requested would, in the Monitor's view, have a deleterious effect on future CCAA cases where the debtor and other financial stakeholders seek, and are entitled, to resolve and settle with finality the myriad issues that inevitably arise during those cases.
- 4.18 With respect to CSEP specifically, the Monitor notes that the Hatnay Affidavit explains the work that KM and E&Y did from March to June 2012, up to the time of the vote on the Second Amended Plan. To the Monitor's knowledge, at no point during this time did CSEP raise any concerns as to the adequacy of their compensation arrangement under the Memorandum with the Monitor or the Court. Given the significant amount of closing costs, including professional fees, under the Second Amended Plan, it was, in the Monitor's view, incumbent upon CSEP to raise that issue during the negotiation of the Second Amended Plan at the latest.
- 4.19 No other party in these proceedings has asserted an entitlement to additional compensation for costs beyond what has been agreed with the Company or ordered by the Court. If this relief was granted to CSEP, it would potentially would give rise to further applications and cost for the Company in responding to those applications and, if granted, any related fee awards.

CATALYST PAPER CORPORATION, ET AL MONITOR'S TWENTY-FIRST REPORT TO COURT

September 25, 2012

- 4.20 The Monitor is also of the view that, given that the Second Amended Plan has now been implemented, it is no longer appropriate for the Company to pay the ongoing professional costs of CSEP. To the extent the pension beneficiaries believe it is necessary to be involved in matters relating to the Company's pension plans, those beneficiaries should bear the costs of such involvement.

Summary of Monitor's Position

- 4.21 For the following reasons, the Monitor is of the view that it would not be appropriate to grant the relief being sought by CSEP:
- 4.21.1 The involvement of CSEP's advisors has resulted in a duplication of costs for representatives of the same stakeholder group. Of note, the retention of a financial advisor may not have been necessary had CSEP consulted with the Monitor for the financial information it required. The limits placed on CSEP's legal costs by the Settlement Agreement as reflected in the March 8, 2012 order were intended to minimize the impact of this duplication. The effect of CSEP's application would be to make the effect of this duplication considerably worse. Moreover, as noted above, the actions of CSEP during the restructuring process, including by initiating the Appeal, also significantly increased the administrative cost of these proceedings.
- 4.21.2 It is inappropriate, in the Monitor's view, for a stakeholder to return to the Court following a successful restructuring and seek to waive the contractual and Court-approved limits placed on the remuneration of that stakeholder's advisors. In this case, CSEP agreed to a limit on the costs to be borne by the Company in respect of its legal advisors. They had ample opportunity during the proceedings to revisit this with the Monitor or the Court in the event this limit created issues, but chose not to do so.
- 4.22 For clarity, the Monitor is not opposed to the payment by the Company of the costs of CSEP's advisors on the basis of what the Court approved on March 8, 2012. The Monitor takes no position with respect to the reasonableness of the fees and disbursements of those advisors.

**CATALYST PAPER CORPORATION, ET AL
MONITOR'S TWENTY-FIRST REPORT TO COURT**

September 25, 2012

5. CONCLUSION

- 5.1 The Monitor confirms its recommendations to the Court that the relief requested by CSEP not be granted.

This report is respectfully submitted this 25th day of September, 2012.

**PricewaterhouseCoopers Inc.
Court Appointed Monitor of
Catalyst Paper Corporation, et al**



**Michael J. Vermette, CA, CIRP
Senior Vice President**



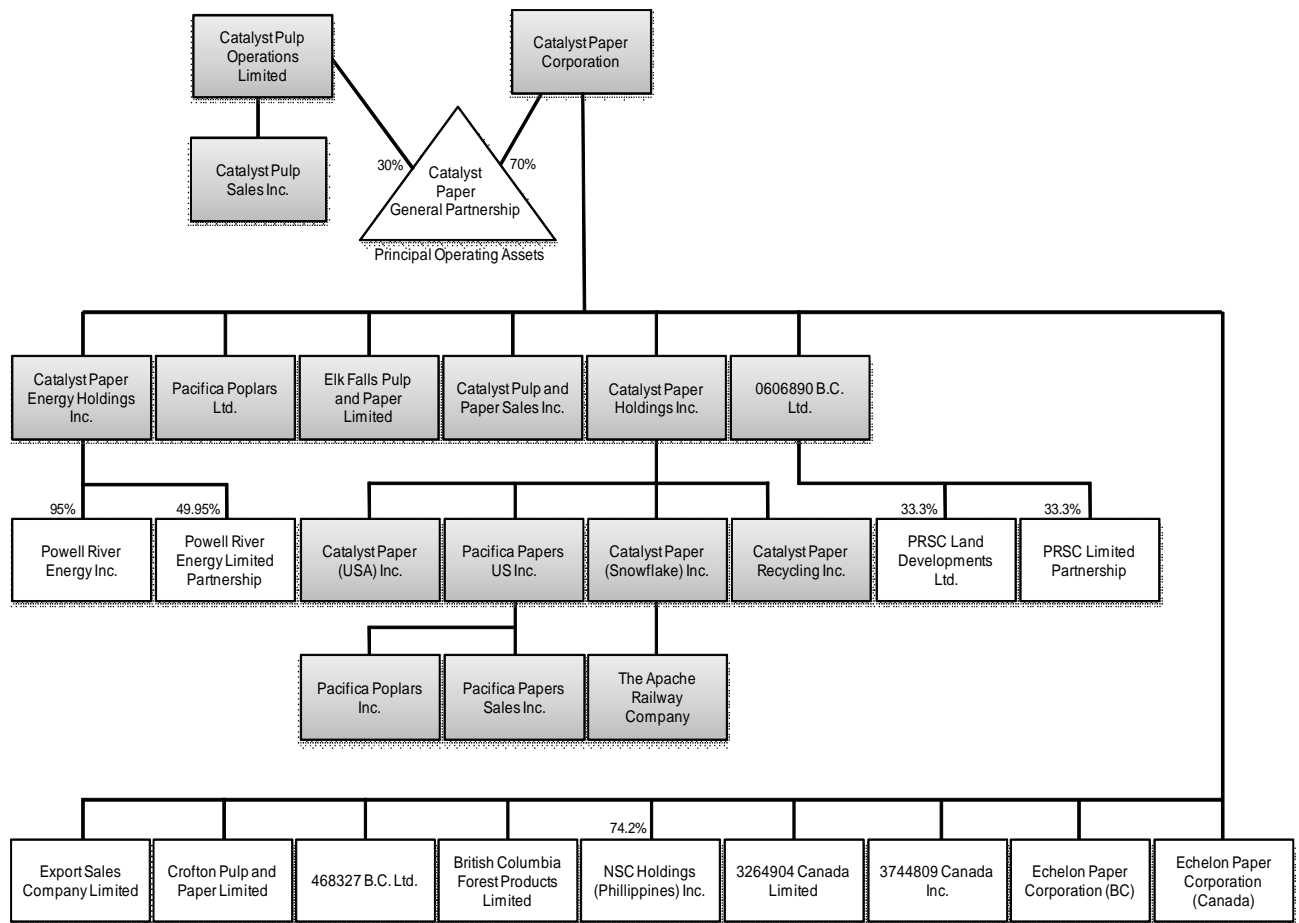
**Mica Arlette, CA, CIRP
Senior Vice President**

APPENDIX A

Petitioner Parties Organization Chart

Catalyst Paper Corporation Organizational Chart

APPENDIX A



Notes

1. Unless otherwise noted, Common share ownership is 100%. Preferred share ownership is not identified in this chart.
2. Shaded entities represent the Petitioners in the CCAA proceedings.
3. Catalyst Paper General Partnership is also subject to the CCAA proceedings.

APPENDIX B

Monitor's Certificate confirming Plan Implementation

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF CATALYST PAPER CORPORATION AND THE OTHER PETITIONERS LISTED
ON SCHEDULE "A"**

PETITIONERS

MONITOR'S CERTIFICATE CONFIRMING PLAN IMPLEMENTATION

All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Second Amended and Restated Plan of Compromise or Arrangement concerning, affecting and involving Catalyst Paper Corporation and the entities listed on Schedule "A" thereto (collectively, the "**Petitioners**") dated June 14, 2012 (the "**Plan**"), as such Plan may be further amended, varied or supplemented by the Petitioners from time to time in accordance with the terms thereof.

Pursuant to paragraph 15 of the Order of the Honourable Mr. Justice Sewell made in these proceedings on the 28th day of June, 2012 (the "**Order**"), PricewaterhouseCoopers Inc. (the "**Monitor**"), in its capacity as Court-appointed Monitor of the Petitioners, delivers this certificate to the Court and hereby certifies that:

1. The Monitor has been advised in writing by counsel for the Petitioners and by counsel for the Initial Supporting Noteholders (as defined in the Plan), and the Monitor hereby confirms, that the conditions set out in section 5.1 of the Plan have been satisfied or waived in accordance with section 5.2 of the Plan, and that the Plan is capable of being implemented; and

2. With respect to the Plan, the Effective Date is September 12, 2012.

This Certificate is delivered by the Monitor on this the 13th day of September, 2012.

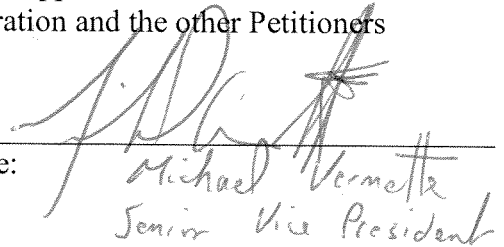
PricewaterhouseCoopers Inc.

In its capacity as Court-appointed Monitor of
Catalyst Paper Corporation and the other Petitioners

Per:

Name:

Title:



Michael Vermette
Senior Vice President

Schedule “A”

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Pacifica Poplars Ltd.

Catalyst Pulp and Paper Sales Inc.

Elk Falls Pulp and Paper Limited

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Paper Recycling Inc.

Catalyst Paper (Snowflake) Inc.

Catalyst Paper Holdings Inc.

Pacifica Papers U.S. Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Catalyst Paper (USA) Inc.

The Apache Railway Company

No. S120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH
COLUMBIA

IN THE MATTER OF THE COMPANIES'
CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36

AND

IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF
CATALYST PAPER CORPORATION and others

PETITIONERS

MONITOR'S CERTIFICATE OF PLAN
IMPLEMENTATION

FASKEN MARTINEAU DUMOULIN LLP
Barristers & Solicitors
2900 – 550 Burrard Street
Vancouver, B.C., V6C 0A3
604.631.4786

Counsel: Kibben Jackson

APPENDIX C

Summary of billing information per Hatnay Affidavit

APPENDIX C

Summary of billing information per Hatnay affidavit

A. As reported (Hatnay Affidavit, Paragraph 40)

Date of Account	Amount of Account				Total Amount Received	Actual Legal Costs Incurred			
	Fees	Disbursements	Taxes	Total		Fees	Disbursements	Taxes	Total
Mar-12	30,000.00	5,096.64	4,211.12	39,307.76	39,307.76	87,906.00	5,096.64	11,427.78	104,430.42
Apr-12	30,000.00	7,642.45	4,495.75	42,138.20	42,138.20	77,316.50	7,642.45	10,051.15	95,010.10
May-12	30,000.00	33,457.03	7,612.83	71,069.86	43,840.33	96,385.00	33,457.03	12,530.05	142,372.08
Jun-12	30,000.00	49,801.05	9,543.85	89,344.90	55,845.37	97,554.50	49,801.05	12,682.09	160,037.64
Jul-12	30,000.00	26.33	3,603.16	33,629.49	33,629.49	31,163.00	26.33	4,051.19	35,240.52
Aug-12 (1)(2)	30,000.00	5,474.58	4,249.15	39,723.73	-	20,724.00	5,474.58	3,136.03	29,334.61
Total	180,000.00	101,498.08	33,715.86	315,213.94	214,761.15	411,049.00	101,498.08	53,878.29	566,425.37

B. Detail by professional

Koskie Minsky LLP	Amount of Account				Total Amount Received	Actual Legal Costs Incurred			
	Fees	Disbursements	Taxes	Total		Fees	Disbursements	Taxes	Total
Mar-12	30,000.00	5,096.64	4,211.12	39,307.76	39,307.76	87,906.00	5,096.64	11,427.78	104,430.42
Apr-12	30,000.00	1,097.45	3,644.90	34,742.35	42,138.20	77,316.50	1,097.45	9,200.30	87,614.25
May-12	30,000.00	15,904.53	5,331.65	51,236.18	43,840.33	96,385.00	15,904.53	10,248.87	122,538.40
Jun-12	30,000.00	20,155.45	5,689.92	55,845.37	55,845.37	97,554.50	20,155.45	8,828.16	126,538.11
Jul-12	30,000.00	26.33	3,603.16	33,629.49	33,629.49	31,163.00	26.33	4,051.19	35,240.52
Aug-12 (1)	30,000.00	5,474.58	4,249.15	39,723.73	-	20,724.00	5,474.58	3,136.03	29,334.61
Total	180,000.00	47,754.98	26,729.90	254,484.88	214,761.15	411,049.00	47,754.98	46,892.33	505,696.31

Ernst & Young Inc. (3)	Amount of Account				Total Amount Received	Actual Costs Incurred			
	Fees	Disbursements	Taxes	Total		Fees	Disbursements	Taxes	Total
Mar-12	-	-	-	-	-	-	-	-	-
Apr-12	6,545.00	-	850.85	7,395.85	-	6,545.00	-	850.85	7,395.85
May-12	17,552.50	-	2,281.18	19,833.68	-	17,552.50	-	2,281.18	19,833.68
Jun-12	27,370.00	2,275.60	3,853.93	33,499.53	-	27,370.00	2,275.60	3,853.93	33,499.53
Jul-12	-	-	-	-	-	-	-	-	-
Aug-12	-	-	-	-	-	-	-	-	-
Total	51,467.50	2,275.60	6,985.96	60,729.06	-	51,467.50	2,275.60	6,985.96	60,729.06

Notes:

- (1) Disbursements shown in Aug 12 Amount of Account have been corrected to match invoice received by Company
- (2) Invoice was outstanding per Hatnay Affidavit. Outstanding amount was paid on September 24, 2012.
Actual legal costs were not shown in Hatnay Affidavit but are included for reference based on invoice detail.
- (3) E&Y fees and disbursements were included as "disbursements" in the KM invoices shown in section A above